

**HOUSE OF REPRESENTATIVES**  
**Roll Call**  
**NATURAL RESOURCES COMMITTEE**

DATE: ~~2-2-07~~ 2-2-07

<u>NAME</u>	<u>PRESENT</u>	<u>ABSENT/ EXCUSED</u>
REP. WALTER MCNUTT, CHAIR	✓	
REP. RALPH HEINERT, VICE CHAIR	✓	
REP. RON ERICKSON, VICE CHAIR	✓	
REP. DUANE ANKNEY	✓	
REP. DEBBY BARRETT	✓	
REP. JILL COHENOUR	✓	
REP. SUE DICKENSON	✓	
REP. BETSY HANDS	✓	
REP. GORDON HENDRICK	✓	
REP. CAROL LAMBERT	✓	
REP. SCOTT MENDENHALL	✓	
REP. JP POMNICHOWSKI	✓	
REP. JOHN ROSS	✓	
REP. VERONICA SMALL-EASTMAN	✓	
REP. KENDALL VAN DYK	✓	
REP. CHAS VINCENT	✓	

**Montana House of Representatives  
Visitors Register**

**2-2-07**

**NATURAL RESOURCES COMMITTEE**

Date **02/02/07**

Bill No. **020000000**

Sponsor(s)

**Rep. Gopek; Erickson; Ross**

**HB 261, 282, 291, 473**

**PLEASE PRINT**

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Name and Address	Representing	Support	Oppose	Inf.
<u>Wade Shook</u>	<u>Self</u>	<u>382</u>		
<u>Gary G. Brown</u>	<u>Self</u> <u>for 282</u>	<u>✓</u>		
<u>Charles B. Brown</u>		<u>✓</u>		
<u>John N. Van</u>	<u>Climate Change TUG</u>		<u>✓</u>	<u>HB 282</u>
<u>Dave Kelsey</u>	<u>Climate Change</u>		<u>HB 282</u>	
<u>Wendy Xanthopoulos</u>	<u>DPL MT</u> <u>HB 282</u>		<u>✓</u>	
<u>Steve Pilcher</u>	<u>MT Stockgrowers</u>	<u>HB 291 ✓</u> <u>HB 473 ✓</u>		
<u>John Youngberg</u>	<u>MSBF</u>	<u>HB 291 ✓</u> <u>HB 473 ✓</u>		
<u>Mike Murphy</u>	<u>MWRA</u>	<u>HB 473</u> <u>HB 291</u>		
<u>Brady Vardemann</u>	<u>MT Assoc. of Churches</u>	<u>HB 282</u> <u>Support</u>		
<u>Ornie Fader</u>	<u>Self</u>	<u>HB 261</u>		
<u>JONATHAN MATTHEWS</u> <u>1633 FLOWER ST. HELENA</u>	<u>MONTANA SIERRA CLUB</u>	<u>HB 282</u>	<u>HB 291</u>	
<u>JONATHAN MATTHEWS</u> <u>1633 FLOWER ST. HELENA</u>	<u>SIERRA CLUB</u>	<u>HB 282</u>		
<u>DIANE RICE</u>	<u>HD 71</u>	<u>HB 291</u>		
<u>Mike Volesky</u>	<u>Governor's Office</u>	<u>HB 473</u>		
<u>Molly Immen</u>	<u>Montana Audubon</u>	<u>HB 282</u>		

Please leave prepared testimony with Secretary. Witness Statement forms are available if you care to submit written testimony.

**Montana House of Representatives  
Visitors Register**

**NATURAL RESOURCES COMMITTEE**

Date 2-2-07

Bill No. HB 261; 282; Sponsor(s) \_\_\_\_\_  
291; 473

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Name and Address	Representing	Support	Oppose	Inf.
Pat Torgerson	WIFE 473 #291	X		
Jan O'Neil, DRS	Mont. Dent. Ass	✓		
HART Delman	advocate	✓		
Jon Bennion	MT Chamber	473 ✓	282 ✓	
Bud Climent	MCC		282 ✓	
Todd O'Hair	RIO TINTO		282 ✓	
JONATHAN MATTHEWS	MT Sierra Club	X HB 282		
Math Leow	Mont PIRG	HB 282		
Sarah Cobler	MCV	HB 282		
Don All	WETA	<del>HB 282</del>	282 ✓	
Carolee Payne	SME		282 X	

Please leave prepared testimony with Secretary. Witness Statement forms are available if you care to submit written testimony.



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2009 Biennium

**Bill #** HB0473

**Title:** Eliminate water adjudication fee

**Primary Sponsor:** Ross, John (Jack) W

**Status:** As Introduced

- ☐ Significant Local Gov Impact
 ☐ Needs to be included in HB 2
 ☒ Technical Concerns  
☐ Included in the Executive Budget
 ☒ Significant Long-Term Impacts
 ☐ Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<b>Expenditures:</b>				
General Fund	\$25,000,000	\$0	\$0	\$0
State Special Revenue	(\$140,367)	\$0	(\$140,367)	\$0
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$19,918,538	\$1,039,413	(\$5,233,208)	\$890,793
<b>Net Impact-General Fund Balance:</b>	<u>(\$25,000,000)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

### Description of fiscal impact:

This bill will eliminate the fee on water rights that is assessed in even numbered years to fund the water adjudication process. It will transfer \$25 million from the general fund to the water adjudication fund in FY 2008 to pay for the water adjudication process through 2020. Interest on the transferred funds would go to the water adjudication fund instead of to the general fund.

### FISCAL ANALYSIS

#### Assumptions:

1. It is assumed that DNRC will achieve the established benchmarks and the base budget for adjudication continues to be funded in the Water Resources Division.
2. Under current law, water rights owners are required to pay a fee to fund the water rights adjudication process. The fee is to be paid by January 31 of each even numbered year through 2014. This bill would

repeal section 85-2-276, MCA, which sets these fees and directs the Department of Revenue to collect them, effective July 1, 2007.

3. Fees due in each billing cycle are \$6,200,000. If this bill passes, revenue to the water adjudication fund would be reduced by this amount in FY 2008 and FY 2010.
4. Section 6 of this bill would transfer \$25 million from the general fund to the water adjudication fund on July 15, 2007. This would provide funding for the water adjudication process through FY 2020.
5. Expenditures for the water adjudication process would be the same as under current law.
6. Interest earned by the water adjudication fund is retained in the fund rather than deposited in the general fund. Interest earnings on general fund and special revenue fund balances will be 4.598% of average balances in FY 2008 and 4.557% in FY 2009 through FY 2010 (HJR2).
7. The \$25 million transferred to the water adjudication fund at the beginning of FY 2008 and additional interest will be spent evenly over eight fiscal years, at a rate of \$2,600,000. In FY 2008, the average balances in the water adjudication fund will be \$24,326,623 higher and interest earnings will be \$1,118,538 higher. Average balances will be \$22,809,143 higher in FY 2009, \$21,215,544 higher in FY 2010, and \$19,547,790 higher in FY 2011. Increased interest earnings will be \$1,118,538 in FY 2008, \$1,039,413 in FY 2009, \$966,792 in FY 2010, and \$890,793 in FY 2011.
8. The net change in deposits to the water adjudication fund would be \$19,918,538 in FY 2008 (\$25,000,000 - \$6,200,000 + \$1,118,538), \$1,039,413 in FY 2009, -\$5,233,208 in FY 2010 (\$966,792 - \$6,200,000), and \$890,793 in FY 2011.
9. Under current law (85-2-276(3), MCA), the Department of Revenue is entitled to recover its costs of collecting water adjudication fees from the fees collected. The department's costs and reimbursement for collecting the fees due in 2006 were \$140,367. If this bill passes, the department's costs and expenditures from the water adjudication account will be reduced by this amount in FY 2008 and FY 2010.
10. Under current law, the Department of Revenue is to attempt to collect any unpaid water adjudication fees. Sections 8 and 9 of this bill make that requirement apply only to unpaid fees from 2006. The department would not incur any costs for collecting unpaid future fees and would not be reimbursed by the DNRC for those costs. There is no net effect on the Department of Revenue.


	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Operating Expenses	(\$140,367)	\$0	(\$140,367)	\$0
Transfers	\$25,000,000	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b>\$24,859,633</b>	<b>\$0</b>	<b>(\$140,367)</b>	<b>\$0</b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$25,000,000	\$0	\$0	\$0
State Special Revenue (02)	(\$140,367)	\$0	(\$140,367)	\$0
<b>TOTAL Funding of Exp.</b>	<b>\$24,859,633</b>	<b>\$0</b>	<b>(\$140,367)</b>	<b>\$0</b>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$19,918,538	\$1,039,413	(\$5,233,208)	\$890,793
<b>TOTAL Revenues</b>	<b>\$19,918,538</b>	<b>\$1,039,413</b>	<b>(\$5,233,208)</b>	<b>\$890,793</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$25,000,000)	\$0	\$0	\$0
State Special Revenue (02)	\$20,058,905	\$1,039,413	(\$5,092,841)	\$890,793

**Long-Range Impacts:**

1. Funds remaining in the water adjudication account at the end of FY 2015 are to be used by the water court to complete the adjudication process by 2020, with water court expenditures expected to be \$1 million per year. The remaining balance at the end of FY 2015 would be approximately \$11 million.
2. Water rights fees of \$6,200,000 would not be collected in FY 2012 and 2014.
3. Department of Revenue collection costs of \$140,367 would not be incurred in FY 2012 and 2014.
4. The water adjudication fund would earn additional interest of \$820,000 in FY 2012 declining to \$557,000 in FY 2015.

**Technical Notes:**

1. Section 6 authorized a transfer of funds from the general fund to the water adjudication fund. Clarification that the Department of Administration would make the transfer would improve the bill.

  
 Sponsor's Initials

 2/2/07  
 Date

  
 Budget Director's Initials

 2/2/07  
 Date